

City of Grand Haven, Michigan Harbor Transit

Financial Statements and Supplemental Information Years Ended June 30, 2008 and 2007

City of Grand Haven, Michigan Harbor Transit

Contents

| | |
|--|-------|
| Independent Auditors' Report | 3 |
| Management's Discussion and Analysis | 4-7 |
| Financial Statements | |
| Statements of Net Assets | 8 |
| Statements of Revenues, Expenses, and Changes in Net Assets | 9 |
| Statements of Cash Flows | 10 |
| Notes to Financial Statements | 11-14 |
| Supplemental Information | |
| Schedule 1 - Local Revenues | 16 |
| Schedule 1A - Local Revenues Based on a September 30, 2007 Year End | 17 |
| Schedule 2 - Expenditures of Federal and State Awards - Year Ended June 30, 2008 | 18 |
| Schedule 2A - Federal and State Awards - Operating Revenue Only | 19 |
| Schedule 2B - Federal and State Awards - Operating Revenue Only Based on a September 30, 2007 Year End | 20 |
| Schedule 3 - Operating and Contract Expenses | 21 |
| Schedule 3A - Operating Expenses Split Between a June 30 and September 30 Year End | 22 |
| Schedule 3B - Operating Expenses by Program Based on a September 30, 2007 Year End | 23 |
| OAR Schedule 4R - Urban Regular Service Revenue Report - For the Year Ended September 30, 2007 | 24 |
| OAR Schedule 4E - Urban Regular Service Expense Report - For the Year Ended September 30, 2007 | 25 |
| OAR Schedule 4N - Urban Regular Service Nonfinancial Report - For the Year Ended September 30, 2007 (Unaudited) | 26 |
| Schedule 5 - Operating Assistance Calculation - For the Year Ended September 30, 2007 | 27 |
| Schedule 6 - Comments and Recommendations | 28 |

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council
City of Grand Haven, Michigan

We have audited the financial statements of the City of Grand Haven, Michigan as of and for the years ended June 30, 2008 and 2007 and have issued our reports thereon dated October 27, 2008 and October 30, 2007, respectively. These financial statements are the responsibility of the City of Grand Haven, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Management's Discussion and Analysis on pages 4 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements of the City of Grand Haven, Michigan taken as a whole. The accompanying financial statements and supplemental material of the Harbor Transit of the City of Grand Haven, Michigan (an Enterprise Fund of the City) are presented for the purpose of additional analysis and are not a required part of the financial statements. The information in these statements, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Pridnia Lapres, PLLC

October 27, 2008

**Harbor Transit, An Enterprise Fund of the City of Grand Haven
Management's Discussion and Analysis
June 30, 2008**

1) Financial Highlights

- a) Through its Harbor Transit ("Transit") Fund, the City of Grand Haven owns and operates a demand-response bus transportation system within the City and serving the following Northwest Ottawa communities: the City of Grand Haven, the Village of Spring Lake, the City of Ferrysburg, the Charter Township of Grand Haven and the Township of Spring Lake.

Transit ended the fiscal year in fair financial position.

- b) Business-type activities net assets decreased to \$720,247 from \$891,485, primarily due to depreciation on vehicles.
- c) Total operating expenses for business-type activities decreased to \$1,692,355 from \$2,119,176.

2) Overview of Financial Statements

a) Overall financial picture

The financial statements provide the Transit financial position using the full accrual method of accounting. This method of accounting is similar to private sector for-profit accounting.

i) Statements of Net Assets

The *Statements of Net Assets* provides information on assets, liabilities and the difference between assets and liabilities, which is called net assets. Over time, increases and decreases in net assets can serve as a barometer of financial health. A trend of increasing net assets is viewed as a sign of improving condition. The *Statements of Net Assets* is similar to a balance sheet in private sector accounting.

ii) Statements of Revenues, Expenses, and Changes in Net Assets

The *Statements of Revenues, Expenses and Changes in Net Assets* reports the underlying causes of the change in net assets. All changes in net assets are reported as the change occurs and includes depreciation on the assets. This statement does not report any capital projects. Capital projects are reported on the *Statements of Net Assets*.

b) Notes to the Financial Statements

Immediately after the financial statements are the Notes to the Financial Statements. The Notes are an integral part of the financial statements. The Notes contain many additional disclosures about the financial health of Transit.

3) Financial Analysis

a) Net Assets

The *Statements of Net Assets* provides an overview of Transit assets, liabilities and net assets. As mentioned above, over time, this can provide a good indicator of fiscal health. A comparative analysis between the current report year and the prior year is herein presented.

On the next page is a summarized version of the *Statements of Net Assets*.

**Harbor Transit, An Enterprise Fund of the City of Grand Haven
Management's Discussion and Analysis
June 30, 2008**

Net Assets

| June 30, | 2008 | 2007 |
|---|---------------------|---------------------|
| Assets | | |
| Current and other assets | \$ 441,062 | \$ 313,404 |
| Capital assets | 709,480 | 888,112 |
| Total Assets | \$ 1,150,542 | \$ 1,201,516 |
| Liabilities | | |
| Long-term debt | \$ - | \$ - |
| Other liabilities | 430,295 | 320,027 |
| Total Liabilities | \$ 430,295 | \$ 320,027 |
| Net Assets | | |
| Invested in capital assets, net of related debt | \$ 709,480 | \$ 888,112 |
| Unreserved | 10,767 | 3,373 |
| Total Net Assets | \$ 720,247 | \$ 891,485 |

The total assets of Transit are \$1,150,542; however, \$709,480 represents net investment in capital assets, primarily in vehicles and the Transit building. There are no restricted assets. Total net assets decreased by \$171,238 during the fiscal year, primarily through depreciation.

b) **Changes in Net Assets**

Significant changes in net assets are shown in the table on the next page.

**Harbor Transit, An Enterprise Fund of the City of Grand Haven
Management's Discussion and Analysis
June 30, 2008**

Changes in Net Assets

| Years ended June 30, | 2008 | 2007 |
|--------------------------------------|--------------------|--------------------|
| Operating Revenue | | |
| Local | | |
| Farebox | \$ 117,319 | \$ 129,180 |
| Contractual services | 29,006 | 9,825 |
| Local operating grants and transfers | 504,497 | 394,296 |
| Other | 96 | 303 |
| Total Operating Revenue | 650,918 | 533,604 |
| Operating Expenses | | |
| Labor and fringes | 1,061,491 | 1,099,603 |
| Fuel, utilities and supplies | 213,738 | 185,144 |
| Casualty and liability costs | 28,000 | 29,382 |
| Other | 183,889 | 207,946 |
| Depreciation | 205,237 | 597,101 |
| Total Operating Expenses | 1,692,355 | 2,119,176 |
| Operating Loss | (1,041,437) | (1,585,572) |
| Non-Operating Revenue | | |
| Gain on sale of capital assets | - | 26,000 |
| State operating grants | 547,575 | 582,345 |
| Federal operating grants | 294,051 | 278,052 |
| State capital grants | 1,183 | - |
| Federal capital grants | 22,445 | - |
| Total Non-Operating Revenue | 865,254 | 886,397 |
| Loss before Transfers | (176,183) | (699,175) |
| Operating transfers in | 4,945 | 4,945 |
| Changes in Net Assets | (171,238) | (694,230) |
| Net Assets, beginning of year | 891,485 | 1,585,715 |
| Net Assets, end of year | \$ 720,247 | \$ 891,485 |

c) Business-type Activities – Highlights

The business-type activities had a decrease in net assets of \$171,238 from revenues of \$1,492,544. The largest sources of revenue were from state, local and federal grants, providing a combined 91% of revenue for business-type activities.

**Harbor Transit, An Enterprise Fund of the City of Grand Haven
Management's Discussion and Analysis
June 30, 2008**

4) Financial Analysis

Transit had total revenues of \$1,492,544, an increase of \$98,543 from the prior fiscal year. Revenue is primarily generated from Federal funding (based on population and 19.7% of total revenue), State Department of Transportation funding (based on eligible expenditures and 36.7%), farebox revenue (direct from riders and 7.8%) and revenue from local communities served (33.8%).

5) Capital Assets and Debt Administration

a) Capital assets

Transit has \$709,480 invested in capital assets net of depreciation. Capital assets include all purchases of assets that exceed \$1,000 and have an expected useful life greater than one year. Capital assets includes: land, land improvements, buildings, vehicles and equipment. Transit uses straight line depreciation for all depreciable assets. In FY2008, capital assets decreased by \$178,632 in business-type activities, primarily in depreciation. Note that most capital assets were funded by state and federal grants for vehicle purchases.

b) More detailed information about changes in capital assets can be found in Note 3 of the footnotes.

6) Debt - Transit had no debt outstanding as of June 30, 2008.

7) Economic Forecast

Transit has four main sources of revenue, Federal and State grants for transportation services, passenger fares and local government support. Ridership is affected by the overall economy and can cause significant swings of revenue from changes in weather conditions. Summer operations provide the greatest revenues; however, Transit is seeing a significant shift in needed services to school children, disabled and senior citizens.

Funding from Federal sources is based on population. Funding from State sources is based on a percentage of total eligible expenses which has been reduced over time. State law allows up to a 50% reimbursement of eligible expenses annually. Recent years have seen reimbursement percentages of less than 40%. These reductions cause a direct increase in local government costs to support Transit operations.

For the FY2008-09 budget, the Transit anticipates that ridership will be roughly equal to FY2007-08 amounts.

8) Contacting the Transit Financial Management Staff

The City of Grand Haven owns and operates the transit system and therefore provides fiscal and administrative services for Harbor Transit. This financial report is designed to provide interested individuals including citizens, taxpayers, customers, investors and creditors, with a general overview of Transit finances and to show the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact us at 519 Washington Avenue, Grand Haven, MI 49417, or call or e-mail us as noted below:

Patrick McGinnis
City Manager
616 847-4888
pmcginnis@grandhaven.org

James P. Bonamy
Finance Director
616 847-4893
jbony@grandhaven.org

City of Grand Haven, Michigan

Harbor Transit

Statements of Net Assets

| <i>June 30,</i> | 2008 | 2007 |
|---|---------------------|--------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 450 | \$ 450 |
| Accounts receivable | 18,070 | 44,420 |
| Prepaid items | 734 | - |
| Inventories | 39,938 | 32,874 |
| Due from other governmental units | | |
| Local | 122,955 | 24,685 |
| State | 35,189 | - |
| Federal (Note 2) | 223,726 | 210,975 |
| Total Current Assets | 441,062 | 313,404 |
| Property and Equipment, | | |
| less accumulated depreciation (Note 3) | 709,480 | 888,112 |
| Total Assets | 1,150,542 | 1,201,516 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | 45,795 | 40,405 |
| Accrued and other liabilities | 87,895 | 130,172 |
| Due to other funds | 296,605 | 149,450 |
| Total Current Liabilities | 430,295 | 320,027 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 709,480 | 888,112 |
| Unreserved | 10,767 | 3,373 |
| Total Net Assets | \$ 720,247 | \$ 891,485 |

See accompanying notes to financial statements.

City of Grand Haven, Michigan

Harbor Transit

Statements of Revenues, Expenses, and Changes in Net Assets

| <i>Years ended June 30,</i> | 2008 | 2007 |
|---------------------------------------|--------------------|--------------------|
| Operating Revenue | | |
| Local | | |
| Demand-response (farebox) | \$ 117,319 | \$ 129,180 |
| Contractual services | 29,006 | 9,825 |
| Grants and transfers | 504,497 | 394,296 |
| Other | 96 | 303 |
| Total Operating Revenue | 650,918 | 533,604 |
| Operating Expenses | | |
| Labor | 772,968 | 840,772 |
| Fringe benefits | 288,523 | 258,831 |
| Professional and contractual services | 143,418 | 161,007 |
| Fuel and supplies | 183,002 | 156,576 |
| Utilities | 30,736 | 28,568 |
| Casualty and liability costs | 28,000 | 29,382 |
| Depreciation | 205,237 | 597,101 |
| Other | 40,471 | 46,939 |
| Total Operating Expenses | 1,692,355 | 2,119,176 |
| Operating Loss | (1,041,437) | (1,585,572) |
| Non-Operating Revenue | | |
| Gain on sale of capital assets | - | 26,000 |
| State operating grants | 547,575 | 582,345 |
| Federal operating grants | 294,051 | 278,052 |
| State capital grants | 1,183 | - |
| Federal capital grants | 22,445 | - |
| Total Non-Operating Revenue | 865,254 | 886,397 |
| Loss Before Transfers | (176,183) | (699,175) |
| Operating Transfers In | 4,945 | 4,945 |
| Changes in Net Assets | (171,238) | (694,230) |
| Net Assets – Beginning of year | 891,485 | 1,585,715 |
| Net Assets – End of year | \$ 720,247 | \$ 891,485 |

See accompanying notes to financial statements.

City of Grand Haven, Michigan

Harbor Transit

Statements of Cash Flows

| <i>Years ended June 30,</i> | 2008 | 2007 |
|--|----------------|----------------|
| Cash Flows from Operating Activities | | |
| Operating loss | \$ (1,041,437) | \$ (1,585,572) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | | |
| Depreciation | 205,237 | 597,101 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 26,350 | (41,259) |
| Prepaid items | (734) | 1,272 |
| Inventory | (7,064) | (2,865) |
| Due from other governmental units | (136,214) | 23,208 |
| Accounts payable | 5,390 | 3,177 |
| Accrued and other liabilities | (42,277) | 15,155 |
| Due to other funds | 147,155 | 96,110 |
| Deferred revenue | - | (76) |
| Net Cash Used for Operating Activities | (843,594) | (893,749) |
| Cash Flows from Non-Capital Financing Activities | | |
| Operating transfers in from other funds | 4,945 | 4,945 |
| Proceeds from state and federal operating grants | 841,626 | 860,397 |
| Net Cash Provided by Non-Capital Financing Activities | 846,571 | 865,342 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from state and federal capital grants | 23,628 | - |
| Purchase of capital assets | (26,605) | - |
| Proceeds from sale of capital assets | - | 26,000 |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | (2,977) | 26,000 |
| Net Decrease in Cash and Cash Equivalents | - | (2,407) |
| Cash and Cash Equivalents, Beginning of year | 450 | 2,857 |
| Cash and Cash Equivalents, End of year | \$ 450 | \$ 450 |

See accompanying notes to financial statements.

City of Grand Haven, Michigan

Harbor Transit

Notes to Financial Statements

1. Nature of Business and Significant Accounting Policies

Harbor Transit of the City of Grand Haven, Michigan is an Enterprise Fund of the City of Grand Haven. It operates under direction of the City Charter. Harbor Transit provides public transportation services to users in the City of Grand Haven and portions of the surrounding area. The accrual basis of accounting is used in preparing the financial statements.

Inventories

Inventories consist of materials and supplies and are stated at the lower of cost or market.

Property and Equipment

Property and equipment are stated at cost. Costs relating to maintenance and repairs are charged to expense, whereas those costs for renewals and betterments in excess of \$1,000 are capitalized. Depreciation on all assets is provided on the straight line basis over the estimated useful lives as defined in the Local Public Transit Revenue and Expense Manual (R&E Manual), and/or as approved by the Bureau of Passenger Transportation (BPT).

Eligible depreciation includes only the depreciation of assets purchased with local funds where the useful life of the asset purchased has been approved by the BPT. Harbor Transit had no eligible depreciation expense during the years ended June 30, 2008 and 2007. For the year ended June 30, 2008, the ineligible depreciation amount of \$205,237 includes \$2,060 of depreciation associated with assets purchased with local money where the useful life of the asset was not approved by the BPT.

City of Grand Haven, Michigan

Harbor Transit

Notes to Financial Statements

- 2. Due from Federal Government** Harbor Transit receives funding from the U.S. Department of Transportation under Section 5307 Operating Grants. At June 30, 2008, the computation of the amount due from the federal government is as follows:

| | |
|------------------------------------|--|
| | October 1, 2007 to June 30, 2008 |
| Maximum reimbursement per contract | \$ 223,726 |
| Funding received | - |
| Due from federal government | \$ 223,726 |

- 3. Property and Equipment** Property and equipment activity for the year ended June 30, 2008 is as follows:

| | Balance, July 1, 2007 | Increases | Decreases | Balance, June 30, 2008 |
|---|--------------------------|---------------------|-------------|---------------------------|
| Property and equipment, not depreciable | | | | |
| Land | \$ 9,261 | \$ - | \$ - | \$ 9,261 |
| Property and equipment being depreciated | | | | |
| Building | 1,093,906 | - | - | 1,093,906 |
| Vehicles | 1,655,579 | - | - | 1,655,579 |
| Dispatch and office equipment | 114,658 | 26,605 | - | 141,263 |
| | 2,864,143 | 26,605 | - | 2,890,748 |
| Less accumulated depreciation for | | | | |
| Building | 558,359 | 29,491 | - | 587,850 |
| Vehicles | 1,329,149 | 165,709 | - | 1,494,858 |
| Dispatch and office equipment | 97,784 | 10,037 | - | 107,821 |
| | 1,985,292 | 205,237 | - | 2,190,529 |
| Total Property and equipment being depreciated, net | 878,851 | (178,632) | - | 700,219 |
| Property and equipment, net | \$ 888,112 | \$ (178,632) | \$ - | \$ 709,480 |

City of Grand Haven, Michigan

Harbor Transit

Notes to Financial Statements

- 4. Risk Management** Harbor Transit is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Harbor Transit carries commercial insurance to cover these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to Harbor Transit. Settled claims have not exceeded this coverage in any of the past four years.
- 5. Cost Allocation Plans** Harbor Transit has seven cost allocation plans where the methodology has been approved by the BPT. Those cost allocations are for Central Garage and City Hall Rent, Charter, Trolley, Gasoline Charges, Parking for Agency Vehicles, Administrative Costs, and Administrative Costs for Project Zero (Life Services Sys of Ottawa Co). These cost allocation plans were adhered to in the preparation of the financial statements.
- 6. Ineligible Expenses** Ineligible expenses are classified appropriately according to the definition in the R&E Manual.
- 7. Nonfinancial Data** The methodology used for compiling mileage on OAR Schedule 4N is an adequate and reliable method for recording vehicle mileage.

City of Grand Haven, Michigan

Harbor Transit

Notes to Financial Statements

8. Contingencies

Amounts received or receivable under grant programs are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the transit agency. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the transit agency expects such amounts, if any, to be immaterial.

9. Local Grants

In fiscal year 2007-08, the City of Grand Haven and the local governments served by Harbor Transit began grant-funded, detailed discussions on future funding of demand-response services. Included was a determination of the formula which will calculate the local shares owed by each unit for these services. Likewise, these discussions included scenarios on reimbursing the City's prior period overpayments into the Harbor Transit Fund.

To meet current fiscal needs of Harbor Transit, using the current "fair share formula" structure, the City General Fund incurred expenses of \$308,834 as the City's annual formula payment, plus \$16,098 for trolley services provided in the City alone during the year ended June 30, 2008. Formula amounts for the Village of Spring Lake and the City of Ferrysburg were \$73,371 and \$106,194, respectively, for the year ended June 30, 2008. The Cities of Grand Haven and Ferrysburg fund this obligation through millage, while the Village of Spring Lake through its General Fund.

Supplemental Information



City of Grand Haven, Michigan

Harbor Transit

Schedule 1 - Local Revenues

| <i>Year ended June 30, 2008</i> | July 1, 2007 to September 30, 2007 | October 1, 2007 to June 30, 2008 | Total |
|---------------------------------|--|--|-------------------|
| Demand-response (farebox) | \$ 38,256 | \$ 79,063 | \$ 117,319 |
| Contractual services | 4,883 | 24,123 | 29,006 |
| Grants and transfers | - | 504,497 | 504,497 |
| Other | 10 | 86 | 96 |
| Total Local Revenue | \$ 43,149 | \$607,769 | \$ 650,918 |

City of Grand Haven, Michigan Harbor Transit

Schedule 1A - Local Revenues Based on a September 30, 2007 Year End

| | October 1, 2006 to June 30, 2007 | July 1, 2007 to September 30, 2007 | Total |
|----------------------------|--|--|-------------------|
| Demand-response (farebox) | \$ 84,574 | \$ 38,256 | \$ 122,830 |
| Contractual services | 7,347 | 4,883 | 12,230 |
| Grants and transfers | 454,228 | - | 454,228 |
| Interest | 5,184 | - | 5,184 |
| Other | 793 | 10 | 803 |
| Total Local Revenue | \$552,126 | \$ 43,149 | \$ 595,275 |

City of Grand Haven, Michigan Harbor Transit

Schedule 2 - Expenditures of Federal and State Awards - Year Ended June 30, 2008

| Federal and State Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grant No./ Authorization Number | Program Award Amount | Current Year's Expenditures | | | | Prior Year's Expenditures | Award Amount Remaining | |
|--|---------------------|---------------------------------|----------------------|-----------------------------|------------|------------|-------|---------------------------|------------------------|--|
| | | | | Total | Federal | State | Local | | | |
| U.S. Department of Transportation | | | | | | | | | | |
| Passed Through Michigan Department of Transportation | | | | | | | | | | |
| Federal Transit Operating Grant - | | | | | | | | | | |
| Section 5307 | 20.507 | MI-90-X545-00 | \$ 281,300 | \$ 70,325 | \$ 70,325 | \$ - | \$ - | \$ 210,975 | \$ - | |
| Section 5307 | 20.507 | MI-90-X565-00 | 298,300 | 223,726 | 223,726 | - | - | - | 74,574 | |
| | | | 579,600 | 294,051 | 294,051 | - | - | 210,975 | 74,574 | |
| Federal Transit Capital Grant - | | | | | | | | | | |
| Section 5307 (80/20) | 20.507 | 2002-0040 Z13 | 5,925 | 5,923 | 4,740 | 1,183 | - | - | 2 | |
| Section 5309 (80/20) | 20.500 | 2002-0040 Z4 R1 | 247,507 | 17,705 | 17,705 | - | - | - | 22,848 | |
| | | | 253,432 | 23,628 | 22,445 | 1,183 | - | - | 22,850 | |
| Michigan Department of Transportation | | | | | | | | | | |
| Operating Assistance - Act 51 | | | | | | | | | | |
| Urban | N/A | N/A | 547,575 | 547,575 | - | 547,575 | - | - | - | |
| Totals | | | \$ 1,380,607 | \$ 865,254 | \$ 316,496 | \$ 548,758 | \$ - | \$ 210,975 | \$ 97,424 | |

City of Grand Haven, Michigan Harbor Transit

Schedule 2A - Federal and State Awards - Operating Revenue Only

| <i>Year ended June 30, 2008</i> | July 1, 2007 to September 30, 2007 | October 1, 2007 to June 30, 2008 | Total |
|---|--|--|------------|
| Michigan Department of Transportation Local Bus Operating (Act 51) | \$ 92,345 | \$ 455,230 | \$ 547,575 |
| Federal Transit Administration Section 5307 | 70,325 | 223,726 | 294,051 |
| Total | \$ 162,670 | \$ 678,956 | \$ 841,626 |

City of Grand Haven, Michigan

Harbor Transit

Schedule 2B - Federal and State Awards - Operating Revenue Only Based on a September 30, 2007 Year End

| | October 1, 2006 to June 30, 2007 | July 1, 2007 to September 30, 2007 | Total |
|---|--|--|------------|
| Michigan Department of Transportation Local Bus Operating (Act 51) | \$ 479,421 | \$ 92,345 | \$ 571,766 |
| Federal Transit Administration Section 5307 | 210,975 | 70,325 | 281,300 |
| Total | \$ 690,396 | \$162,670 | \$ 853,066 |

City of Grand Haven, Michigan

Harbor Transit

Schedule 3 - Operating and Contract Expenses

| <i>Year ended June 30, 2008</i> | Urban | Nonurban | Specialized Services | Operating Contract | Total |
|--|--------------|----------|-------------------------|-----------------------|--------------|
| Labor | \$ 772,968 | \$ - | \$ - | \$ - | \$ 772,968 |
| Fringe benefits | 288,523 | - | - | - | 288,523 |
| Professional and contractual services | 143,418 | - | - | - | 143,418 |
| Fuel and supplies | 183,002 | - | - | - | 183,002 |
| Utilities | 30,736 | - | - | - | 30,736 |
| Casualty and liability costs | 28,000 | - | - | - | 28,000 |
| Depreciation | 205,237 | - | - | - | 205,237 |
| Other | 40,471 | - | - | - | 40,471 |
| Total | \$ 1,692,355 | \$ - | \$ - | \$ - | \$ 1,692,355 |

City of Grand Haven, Michigan

Harbor Transit

Schedule 3A - Operating Expenses Split Between a June 30 and September 30 Year End

| Urban | | | |
|--|--|--|--------------------|
| <i>Year ended June 30, 2008</i> | July 1, 2007 to September 30, 2007 | October 1, 2007 to June 30, 2008 | Total |
| Labor | \$ 185,029 | \$ 587,939 | \$ 772,968 |
| Fringe benefits | 88,854 | 199,669 | 288,523 |
| Professional and contractual services | 13,913 | 129,505 | 143,418 |
| Fuel and supplies | 33,042 | 149,960 | 183,002 |
| Utilities | 5,284 | 25,452 | 30,736 |
| Casualty and liability costs | 7,000 | 21,000 | 28,000 |
| Depreciation | - | 205,237 | 205,237 |
| Other | 4,361 | 36,110 | 40,471 |
| Total | \$ 337,483 | \$ 1,354,872 | \$1,692,355 |

City of Grand Haven, Michigan

Harbor Transit

Schedule 3B - Operating Expenses by Program Based on a September 30, 2007 Year End

| Urban | | | |
|--|--|--|--------------|
| | October 1, 2006 to June 30, 2007 | July 1, 2007 to September 30, 2007 | Total |
| Labor | \$ 619,646 | \$ 185,029 | \$ 804,675 |
| Fringe benefits | 182,588 | 88,854 | 271,442 |
| Professional and contractual services | 123,309 | 13,913 | 137,222 |
| Fuel and supplies | 113,323 | 33,042 | 146,365 |
| Utilities | 29,216 | 5,284 | 34,500 |
| Casualty and liability costs | 19,706 | 7,000 | 26,706 |
| Other | 2,841 | 4,361 | 7,202 |
| Total | \$ 1,090,629 | \$ 337,483 | \$ 1,428,112 |

City of Grand Haven, Michigan Harbor Transit

OAR Schedule 4R - Urban Regular Service Revenue Report - For the Year Ended September 30, 2007

| Code | Description | Amount |
|-----------------------|------------------------------------|---------------------|
| 401: | Farebox Revenue | |
| 40100 | Passenger Fares | \$ 122,830 |
| 40200 | Contract Fares | 12,230 |
| 405: | Charter Service | |
| 40500 | Charter Service | 803 |
| 409: | Local Revenue | |
| 40910 | Local Operating Assistance | 454,228 |
| 411: | State Formula and Contracts | |
| 41101 | State Operating Assistance | 571,766 |
| 413: | Federal Contracts | |
| 41301 | Section 5307 (Operating Funds) | 281,300 |
| 414: | Other Revenue | |
| 41400 | Interest Income | 5,184 |
| Total Revenues | | \$ 1,448,341 |

City of Grand Haven, Michigan

Harbor Transit

OAR Schedule 4E - Urban Regular Service Expense Report - For the Year Ended September 30, 2007

| Code | Description | Operations | Maintenance | Gen. Admin. | Total |
|----------------------------------|-------------------------------------|------------|-------------|-------------|--------------------|
| 501: | Labor | | | | |
| 50101 | Operators' Salaries & Wages | \$ 580,444 | \$ - | \$ - | \$ 580,444 |
| 50102 | Other Salaries & Wages | - | 25,813 | 45,297 | 71,110 |
| 50103 | Dispatchers' Salaries & Wages | 153,121 | - | - | 153,121 |
| 502: | Fringe Benefits | | | | |
| 50200 | Other Fringe Benefits | 201,662 | 17,483 | 28,877 | 248,022 |
| 50201 | Pensions | 19,231 | 1,171 | 3,018 | 23,420 |
| 503: | Services | | | | |
| 50302 | Advertising Fees | - | - | 22,547 | 22,547 |
| 50399 | Other Services | 8,270 | 16,521 | 89,884 | 114,675 |
| 504: | Material and Supplies | | | | |
| 50401 | Fuel & Lubricants | 86,352 | - | - | 86,352 |
| 50402 | Tires & Tubes | 16,705 | 7,069 | 515 | 24,289 |
| 50499 | Other Materials & Supplies | 8,533 | 26,576 | 615 | 35,724 |
| 505: | Utilities | | | | |
| 50500 | Utilities | 28,699 | - | 5,801 | 34,500 |
| 506: | Insurance | | | | |
| 50603 | Liability Insurance | 26,706 | - | - | 26,706 |
| 509: | Misc. Expenses | | | | |
| 50902 | Travel, Meetings & Training | 280 | - | 4,272 | 4,552 |
| 50903 | Association Dues & Subscriptions | - | - | 2,650 | 2,650 |
| Total Expenses | | | | | \$1,428,112 |
| Total Ineligible Expenses | | | | | \$ - |
| Total Eligible Expenses | | | | | \$1,428,112 |

City of Grand Haven, Michigan

Harbor Transit

OAR Schedule 4N - Urban Regular Service Nonfinancial Report - For the Year Ended September 30, 2007 (Unaudited)

Public Service

| Code | Description | Weekday | Saturday | Sunday | Total |
|------|---------------|---------|----------|--------|---------|
| 610 | Vehicle Hours | 19,467 | 1,103 | 624 | 21,194 |
| 611 | Vehicle Miles | 256,404 | 13,652 | 5,902 | 275,958 |

City of Grand Haven, Michigan Harbor Transit

Schedule 5 - Operating Assistance Calculation - For the Year Ended September 30, 2007

| | | Urban |
|---|--|---------------------|
| | | |
| Total Expenses | | \$ 1,428,112 |
| Less Ineligible Expenses | | |
| Interest Expense | | - |
| Total State Eligible Expenses | | \$ 1,428,112 |
| | | |
| Eligible Expenses for State Reimbursement | | \$ 1,428,112 |
| Reimbursement Percentage | | 40.0365% |
| State Operating Assistance | | \$ 571,766 |

City of Grand Haven, Michigan Harbor Transit

Schedule 6 - Comments and Recommendations

Statutory Compliance

Our review of procedures for compliance with statutory requirements did not disclose any exceptions.